

# CALIFORNIA Energy Circuit

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## See Circuit's New Job Page

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## State Strives to Increase Its Share of Fed Stimulus Pie

Lawmakers and their consultants bedecked in apparel of various shades of green on Saint Patrick's Day quizzed state energy agency, utility, and city representatives about their plans for reaping and spending billions of federal stimulus greenbacks to advance green jobs, green power, and energy efficiency in California.

The Obama Administration approved giving the state \$412 million at the end of last week. Of that, \$226 million is to go to the California Energy Commission for energy efficiency and renewables. The rest of the money is to be spent on making low-income homes more efficient via weatherization programs. The agency and other entities hope to access hundreds of million more dollars allocated by the American Recovery and Reinvestment Act to create jobs and a cleaner and stronger economy.

Tapping into the federal stimulus money "is nothing short of a chance in a lifetime," said Senator Alex Padilla (D-Pacoima), chair of the Senate Energy, Utilities & Communications Committee. The large pots of federal money allocated for clean energy and green jobs must be committed before September 2010.

State legislation to grow the renewable mandate from 20 percent to 33 percent, passed by the Senate energy committee last month and the Senate Appropriations Committee March 16, "is not the only pressing issue before us," Padilla sporting a dark green tie said March 17. It is imperative, he added, not only to create jobs but quality jobs, given that 1.8 million Californians are without work.

Legislators sought assurances from the energy agencies receiving federal money that they would be kept in the loop about how it is spent, and assurances there would be checks and balances to avoid wasteful spending.

California Energy Commission chair Karen Douglas said her agency's top priority for federally-funded projects was job creation, followed by promoting energy efficiency and renewable projects that "achieve lasting, measurable benefits." The commission also hopes to use federal funds to support efficiency programs targeting struggling Californians who are in the bottom half of the middle-income bracket.

In addition to \$226 million, the CEC hopes to be a contender for funding from other federal funds (see story below). However,

*continued on page 2*

## Stimulus Pie . . . continued from page 1

federal program regulations and guidelines are being formulated for other funding.

The \$185.8 million in weatherization funding for low-income residences, which includes weather stripping, caulking, insulation, and other upgrades, is expected to boost agency staffing needs and outside jobs. The funds will go to the state Department of Community Services and Development, which partners with 44 entities.

The federal award represents a 30-fold increase in weatherization funding. It is expected to create about 100,000 jobs, said Lloyd Throne, department director. Weatherization reduces the typical home energy bill by \$418 a year, he added.

Assemblymember Felipe Fuentes (D-Sylmar), chair of the Assembly Utilities & Commerce Committee who wore a light green tie, applauded the boost in weatherization projects.

The federal stimulus package also allocates \$4.5 bil-

lion for regional and utility scale “smart grid” projects. Like the Department of Energy’s stimulus funding efficiency projects, program definitions and eligibility are under development. “It is a bit of a black hole,” said CPUC member Rachelle Chong, referring to the absence of federal funding guidelines.

State regulators plan to hold a March 27 workshop to strategize on how to maximize funding for grid modernization projects.

What a “smart grid” means remains unknown. Chong noted the term generally refers to communication devices that allow one- and two-way communication between the high voltage lines, the utility, and businesses or homeowners.

Struggling renewable developers hope federal money will get their financially-challenged projects off the ground. A key program is the one allowing the renewable federal tax credit to be converted into a rebate covering 30 percent of a project’s costs because tax equity is worth little in the economic downturn.

According to the CPUC, nearly 4,000 MW of wind, solar and other renewable deals between developers and investor-owned utilities have insufficient or no financing.

Entities must apply for federal funds, which will be disbursed in partial payments for qualified projects as they progress through permitting and construction.

Thus, expedited project permitting for large solar installations is critical to tapping into funding, Joshua Bar

*continued on page 4*

## “Chance in a lifetime.”

### Feds Have Green Program Dollars for Cities Too

Cities could tap into more than \$30 billion of federal stimulus money to promote jobs and energy efficiency and switch to no- or low-pollution power.

“It provides cities across the country the opportunity to make significant investments in renewable energy and efficiency through grants, loans and bonds,” according to a recent analysis by the League of California Cities,

In California, some of the funds will be funneled through the California Energy Commission. The initial federal ground rules require compliance with the federal prevailing wage policy and the National Environmental Policy Act. Spending is forbidden for casinos, zoos, golf courses, and swimming pools.

The different program and funding levels, the League of Cities said, include:

- More than \$2 billion for green retrofits of low income homes. These are competitive grants that will be dispersed by the Housing and Urban Development secretary.
- Cities with population of more than 350,000 may apply directly for some of the \$3.2. billion in energy efficiency and conservation block grants.
- \$2.4 in bonds is allocated to fund programs to reduce greenhouse gases.
- A total \$1.6 billion authorization was created to finance facilities that generate renewable resources. One third will be available to state, local, and tribal governments and another third to public power providers.
- \$300 million will fund competitive grants for cities to support alternative-fueled vehicles.
- \$2.5 from the Department of Energy is available for biomass, geothermal, and renewable R&D demonstration projects.

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## In Sacramento, a Flood of Energy Bills

State lawmakers from both parties have introduced more than a hundred energy and climate change bills. Many overlap, are works in progress, and several will be totally rewritten before the end of session.

Despite the high stack of bills, however, energy legislators are focusing on a few key subjects, with renewable energy at the top of the list.

Other key priorities are passing bills aimed at creating green jobs, improving energy efficiency, and facilitating the expenditure of federal stimulus money. Then there is the possible reorganization of state energy agencies, the phase out of once-through cooling at power plants, and rekindling direct access (i.e., the customers' ability to choose service providers).

Also in the pipeline are bills seeking to expand green buildings and solar energy, as well as provisions to lift the rate freeze on energy-light ratepayers—those below 130 percent of baseline.

Enactment of a 33 percent renewable standard mandate is backed by the governor's office. The mandate, which is the subject of SB 14 by Senator Joe Simitian (D-Palo Alto), passed the Senate energy and appropriation committees. Increasing the renewable portfolio standard from 20 percent in 2010 to 35 percent is the goal of AB 64 by Assemblymember Paul Krekorian (D-Glendale) (see story below). Both renewable measures are intertwined with a range of complex issues, from upgrading and siting existing and new transmission lines to containing the cost of wind, solar and other alternative power resources.

"A bill without cost containment will get nowhere," said one Capitol insider.

Transmission siting authority, in particular, streamlining attempts are also in play. Some want to revive previous efforts to shift siting authority from the California Public Utilities Commission to the Energy Commission, which includes the governor's previous energy agency reorganization plan. Previous plans to unite the Energy Commission and other state energy agencies failed.

AB 1016 by Assemblymember Michael Villines (R-Fresno) would implement the governor's proposal to consolidate the energy agencies under a state

Department of Energy. It would transfer high voltage permitting to a new CEC. Some renewable advocates support the effort because of hopes it will accelerate siting solar, wind, and other renewable energy projects. If a transmission authority swap managed to fly, a critical issue would be the timing. Changing agencies while major lines are in the process of being sited could create more problems than it avoids.

The fate of AB 1016 depends on the governor's effort.

Cost containment is also the subject of some energy efficiency measures. Thus, bills seek to address concerns about the cost of investor-owned utilities administering efficiency programs.

Green job promotion is now in the spotlight with federal stimulus money expected to create more jobs in the renewable and energy efficiency arena. A number of bills seek to set training requirements,

while others clarify who will pay for it and who sets the criteria.

Also linked to renewable energy supplies is legislation seeking to expand the role of established long-term prices for green energy. Various bills propose to lift the current 1.5 MW project size cap on eligibility for what are known as "feed-in tariffs," which pay homeowners and businesses a set, public, price for about 20 years of output. Bills promoting this standard offer, long-term renewable contract vary from a 3 MW to 20 MW ceiling on eligible project capacity. The 20 MW limit on a feed-in payment structure seeks to avoid triggering the Federal Energy Regulatory Commission's tariff.

A few bills being formulated also are expected to shape how federal stimulus money is directed. Issues include the need for the Legislature to authorize state agencies to spend unprecedented sums of federal money, as well as staffing up state agencies to do so.

There also are several bills to expand green buildings. At the state level, there's one that reintroduces a measure requiring energy audits in homes for sale. The debate is over when the audit should occur and who should pay. Last year, the real estate industry got the legislation waylaid.

### Feed-in tariffs.

*continued on page 4*

## JUICE . . . continued from page 3

Also on the table is the revival of direct access. Allowing customers to select non-utility entities to provide electricity was halted during the 2000-01 energy crisis. Pressure has been growing to allow customers to choose who serves them power—an investor-owned utility or another electricity service provider.

There are other bills in the mix. One would eliminate the requirement that the state certify massive nuclear power projects—those up to 2,000 MW. Another would repeal the state's global warming reduction standard under AB 32.

—Elizabeth McCarthy

## Stimulus Pie . . continued from page 2

Lev, vice president of BrightSource Energy and the Large Scale Solar Association, told the committee

Investor-owned utilities also hope to reap some of the federal largesse to advance their smart grid, renewable energy, electric vehicle, and alternative fuel projects.

Padilla insisted that federal funds the investor-owned

utilities receive reduce the cost of the renewable energy.

In another funding development of interest to the state's utilities, President Barack Obama while visiting Southern California Edison's Electric Vehicle Center March 19 announced \$2.4 billion in funding for producing next generation plug-in hybrid electric vehicles and advancing battery components for the vehicles.

Under the funding program, the Department of Energy is offering up to \$1.5 billion in grants to U.S.-based manufacturers to produce these highly efficient batteries and their components. It is offering another \$500 million in grants to U.S.-based manufacturers to produce other components needed for electric vehicles, such as electric motors and other components.

The department is offering up to \$400 million to demonstrate and evaluate Plug-In Hybrids and other electric infrastructure concepts—like truck stop charging stations, electric rail, and training for technicians to build and repair electric vehicles.

—Elizabeth McCarthy

## WHAT THEY'RE SAYING . . .

*"To the extent there are renewable subsidies, we should benefit from that on a kilowatt hour level."* Senator **Alex Padilla** (D-Pacoima).

*"Our marching orders are to get the money out the door as quickly as possible."* **Karen Douglas**, Energy Commission chair.

*"Weatherization is the easiest and most effective thing we can do."* **Felipe Fuentes** (D-Sylmar) chair of the Assembly Utilities & Commerce Committee.

## Federal Funds Expected in CA

Coordination is the name of the game to ensure that California obtains a large share of the \$11.3 billion of federal stimulus money earmarked for state energy programs, officials said March 13.

Governor Arnold Schwarzenegger's office created a Federal Energy Stimulus Team.

Darren Bouton, deputy cabinet secretary, explained the team is expected to include representatives from the California Energy Commission, California Public Utilities Commission, Air Resources Board, California Environmental Protection Agency, and Natural Resources Agency.

The Energy Commission is slated to receive \$226 million for the State Energy Program, which funds energy efficiency retrofits of buildings and industrial plants, plus

supports renewable energy projects.

"We're going to urge private industry to partner through local governments," said CEC spokesperson Susanne Garfield.

**\$226M.**

The federal funds are set to be used to expand renewable energy and distributed generation projects, for loans and financial incentives for energy efficiency programs, to implement building and industrial energy efficiency incentives, and for other programs. The federal money is directed at existing programs and precludes funding research projects.

The federal stimulus money dwarfs all prior Energy Commission program funding, Garfield added. For example, the CEC's annual Public Interest Education and Research, or PIER, budget is \$62 million, and its alternative fuel vehicle development program is \$120 million.

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## Assembly Renewable Energy Aims

In the Assembly, Paul Krekorian (D-Glendale) is pushing ambitious legislation, AB 64, which calls on both publicly- and investor-owned utilities to reach a 35 percent renewable energy level by 2020. It would expand the use of “feed-in” tariffs and create a new authority to streamline the siting process for transmission lines to bring renewable power from remote areas into cities that could even build and operate lines if need be.

“California is uniquely situated right now to obtain global leadership in the renewable energy field,” Krekorian told *Circuit* March 19. “We have every advantage.”

AB 64 is coauthored by Speaker of the Assembly Karen Bass (D-Los Angeles) and is similar to legislation moving in the state Senate, SB 14. The Glendale Democrat, who chairs the Assembly Select Committee on Renewable Energy, said his bill has a “terrific” outlook because legislative leaders in both chambers, as well as the governor, support increasing the state’s renewable energy portfolio standard from the existing 20 percent requirement in 2010.

With its money for renewable energy, the federal economic stimulus bill adds more impetus. “This is an opportunity we cannot miss,” Krekorian exclaimed.

A legislative aide said that although many energy bills are pending, increasing the renewable energy standard likely will be the key focus for lawmakers in Sacramento this year. An aide to Bass agreed that renewable energy is a chief priority.

In addition to the 35 percent requirement in 2020, AB 64 sets an interim green power standard of 25 percent in

2015 and a long-range goal of 50 percent renewable energy by 2035.

To reach such levels, Krekorian said the key task for lawmakers is to remove barriers to developing renewable energy to unleash its environmental and economic benefits.

“The single biggest barrier,” he said, “is the lack of transmission infrastructure.”

Krekorian said his bill would create what he called “a one-stop shop” for approving renewable energy transmission projects in California. It would reduce what now is ten years that typically transpire between when projects are proposed and ultimately built.

The measure would create a new state office known as the Renewables Infrastructure Authority, which would have a nine-member board including the heads of the state’s existing major energy agencies. The authority would designate renewable energy zones within California and assume authority for permitting transmission from those areas into the grid. The authority would have the power of eminent domain.

It also would be able to raise \$6.4 billion in revenue bonds in order to build renewable power generating projects or transmission lines to move renewable energy. The authority could own and operate the lines, paying off the bonds with proceeds from an energy transmission tariff. It also could build the lines and then sell them to utilities to pay off the bonds or enter into joint venture arrangements.

“I’m not wedded to any one particular approach for

*continued on page 6*

**“End  
result.”**

### Federal Funds . . . *continued from page 4*

The Department of Energy is expected to distribute a far bigger pot of about \$31 billion to states through competitive grants, loans, and loan guarantees for energy and climate change programs, transportation, transmission system upgrades, renewable energy, and research into new technologies.

In addition, larger California municipalities and counties are expected to receive hundreds of millions of direct grants from the DOE, said Matthew Duchesne from DOE’s Office of Environmental Management.

The California Public Utilities Commission is supposed to collaborate with the CEC and other state agencies and is formulating a plan to help local governments and other stakeholders compete for federal energy funds, said Jeanne Clinton, CPUC clean energy advisor. The CPUC, which coordinates investor-owned utility energy efficiency programs, conducted a workshop on March 16 for utilities on

the federal stimulus program.

Federal energy stimulus funds also are expected to be available for programs that are part of California’s greenhouse gas reduction plan, such as the diesel emissions reduction program, said Virgil Welch assistant to the chair of the California Air Resources Board.

Bouton said the governor’s office has been flooded with questions from stakeholders and the general public about the federal stimulus funds. Over 2,000 listeners tuned into an online webinar on the subject on March 13.

The Department of Energy is likewise being inundated with calls about the federal stimulus money, said Duchesne, DOE’s designated contact for Schwarzenegger and other California officials.

Information is available at two state recovery websites.

—Christine Keyser

## CPUC Proposes Power Line Rules to Prevent Wildfires

A California Public Utilities Commission proposal to tighten standards for power lines owned by both investor- and municipally-owned utilities to prevent wildfires during Santa Ana conditions drew a sparse crowd March 18 at a public hearing in Los Angeles. The proposed rules mark an interim step in a proceeding that may eventually call for utilities in Southern California to run lines underground in fire-prone areas, which a utility trade group says could cost about \$1 million a mile.

It's important for the commission to make transmission of electricity safer to prevent the danger of fire in Southern California, commissioner Tim Simon said in a written statement read at the public hearing.

"Fires ignited by electric power lines have been responsible for some of the largest wildfires in history," stated the commission's Consumer Protection and Safety Division in a report proposing the regulations. In 2007, investigators say power lines sparked massive wildfires in San Diego County that burned down more than a thousand homes.

**"Like Nero  
fiddling."**

The proposed standards—slated for commission consideration in August—would expand CPUC safety requirements to all power and communications lines. The commission's existing standards apply only to privately owned lines, though public utilities follow similar safeguards.

Some municipal utilities oppose the commission's move to expand coverage to public utility lines, arguing that the commission does not have legal jurisdiction. The safety division characterizes the opposition as the equivalent of "Nero fiddling while Rome burned."

The California Municipal Utilities Association told the commission in a filing that imposing inspection and maintenance "would most likely lead to time-consuming jurisdictional disputes." Transmission lines already are covered by Western Electric Coordinating Council and North American Electric Reliability Corporation standards, the association said.

However, the Los Angeles County Fire Department supported the safety division.

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### Assembly Renewable Energy Aims . . . *continued from page 5*

how to achieve the end result," Krekorian said, acknowledging that the governor has outlined a different strategy in his energy agency reorganization proposal and that other ideas abound. "I'm open to all those ideas," he said, "but the time must be reduced."

AB 64 also would require utilities to offer feed-in tariffs from renewable energy projects with generating capacities of up to 5 MW. The cumulative capacity of facilities eligible for the tariff from investor-owned utilities would be capped at 500 MW. The cumulative capacity of facilities eligible for the tariff from publicly owned utilities would be capped at 250 MW.

The goal of the provision is to simplify renewable energy sales deals, cut the paperwork load for regulators, and create "predictability for investors" by specifying that utilities must purchase energy from projects at a set rate over the long term. The bill would specify the specific payments to generators for terms of up to 20 years.

As the legislation moves, Krekorian said it may be amended to raise the size of projects eligible for the tariff. He added that developing price criteria for feed-in tariffs will take additional time. Prices must be set, he said, to make sure utility customers are not overpaying for renewable power, but also so project developers are not underpaid.

At a hearing of the select committee March 18,

California Public Utilities Commission energy division director Julie Fitch said that the most difficult aspect of developing a feed-in tariff is determining the price for power.

AB 64 also would allow utilities to meet part of their green energy standard requirement by purchasing renewable energy credits generated out of state.

Krekorian emphasized that allowing the credits would give utilities some flexibility in complying with the ambitious standard and help contain the cost of power. However, he said he believed the bulk of the green power should be generated in California so the state can capture the benefits, including new jobs and economic development and cleaner air. Instate generation also will cut the need for long distance transmission lines, he said.

His remarks were echoed at the select panel hearing by Scott Wetch, a labor lobbyist, who called the prospect of utilities using large amounts of out-of-state renewable energy credits to meet their green energy standard the equivalent of "the North American Free Trade Agreement" for the building trades in California. It would compromise one of the original goals of the state's renewable energy portfolio standard, namely to create jobs and develop California's economy, he said.

*—William J. Kelly*

## CPUC Proposes Rules . . . *continued from page 6*

“It’s important the CPUC has expanded its jurisdiction to include some of these other publicly owned utilities,” said John Todd, Los Angeles County Fire Department assistant chief. The county is home to several public utilities, including the massive Los Angeles Department of Water & Power.

The safety division’s proposed standards aim to improve vegetation management along lines in Southern California, require more frequent inspections, prevent poles from being overloaded with equipment, and promote prompt reporting of infractions or outbreaks of fires. Line operators also would have to maintain records, including calculations showing the strength of poles in high wind conditions. Communications lines also would be covered.

After voting on these proposals this summer, the commission is planning to take up additional standards that may require enhancements of existing lines, including running them underground in fire prone areas. San Diego Gas & Electric has suggested this strategy and proposed that utilities be able to fully recover the associated costs through their rates.

Los Angeles County also is pressing the commission to require that lines be buried in fire prone areas.

The risk that power lines could spark fires in high winds should be a reason to allow utilities to bury them and recover the expense through rates, said Scott Kuhn, Los Angeles County attorney. He added that the commission should establish a funding approach to “undergrounding” power lines that allows local governments to contribute to the expense when they have the money.

The Edison Electric Institute in 2006 estimated the cost of burying power lines at \$1 million a mile, about ten times the typical cost of installing overhead lines. However, experience has shown that the cost can vary widely. Hawaiian Electric, for instance, paid about \$12 million a mile for one recent project.

The prospect of burying lines at ratepayer expense led The Utility Reform Network to intervene in the proceeding last month. TURN said it wants to ensure “that any rule changes do not unduly burden utility ratepayers with additional costs.”

The proposed rules follow a series of workshops the CPUC held last month (*Circuit*, March 6, 2009). The commission started to review its existing standards after investigators found last year that downed power lines ignited massive wildfires in San Diego County in the fall of 2007 (*Circuit*, Nov. 14, 2008).

The CPUC safety division implicated the utility in two tragic fires. The first was the Witch Fire, which burned 197,990 acres, killed two civilians, and injured 40 firefighters. That fire also burned down 1,141 homes, 509 outbuildings, and 239 vehicles. The second fire was the Guejito Fire, which merged with the massive Witch fire and damaged an additional 75 homes and 25 outbuildings. A third fire at issue was the smaller 9,472 acre Rice Fire, which burned down 206 homes, two commercial properties, and 40 outbuildings.

—William J. Kelly

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## Sacto Muni Attempts to Work with Grid Operator

**T**he Sacramento Municipal Utility District board this week voted to renegotiate long-term power purchase contracts in order to make way for the California Independent System Operator’s Market Redesign and Technology Upgrade.

The muni divorced the state’s grid operator in 2002.

SMUD is one of the biggest non-CASIO operations in the state. At the time it did not want to have anything connected to the grid operator. However, the transmission system of munis like SMUD and the Los Angeles Department of Water & Power are fundamentally interconnected with the

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# Energy Efficiency Gains Ground In California

Combining a monthly energy bill with a push for efficiency is prompting some interest in Southern California ratepayers. Data show that customers are paying more attention to energy savings.

"It's cutting costs," said Hank Ryan, Small Business California executive director, about the move to energy efficiency. "Businesses are looking for every way to cut costs."

Reports filed with the California Public Utilities Commission by the state's investor-owned utilities show that at the end of last year each exceeded its energy efficiency program goals.

As a result, combined energy savings under the 2006-08 utility energy efficiency programs surpassed the statewide goal.

Electricity savings totaled 10,362 GWh compared to a goal of 6,811 GWh. That resulted in a demand reduction of 1,780 MW compared to a goal of 1,448 MW. Gas savings totaled 138 million therms compared to a goal of 112 million therms.

Businesses are playing a role in energy savings.

A Small Business California survey just completed shows that 58 percent of small businesses think that investments in energy efficiency can benefit their operations.

An even greater number—64 percent—said they would be willing to use zero interest on-bill financing programs offered by California utilities to install new energy efficiency equipment as long as the savings result in a financial payback. Under these on-bill financing programs, utilities pay for energy efficient equipment upfront and then business customers repay the loans through an added charge each month on their utility bills.

The small business interest in efficiency comes as 42 percent of the businesses surveyed ranked the cost of energy as a medium priority, 25 percent a high priority, and 18 percent a top priority.

Typical is one Santa Barbara business owner who operates restaurants, which are known for their energy intensity. Restaurants use energy with stoves, refrigeration, and dishwashing among other things.

"From a restaurant perspective, especially at this time in the economy, everybody is looking to save costs," said Brian Rocha, operating partner and general manager of

Silvergreens.

Rocha said his company worked with utilities to get rebates to install a tankless water heater, an energy efficient dishwasher, energy efficient fluorescent and light emitting diode lighting systems, and other energy efficient equipment when it opened its second location November 2008.

Rocha said he learned about some of the equipment by visiting the SoCal Gas Energy Resource Center last year.

He was not alone. According to Raul Gordillo, SoCal Gas spokesperson, more than 39,000 people came to learn about how to integrate energy efficiency into their businesses with new equipment and software systems in 2008. That marked an all time record in the center's 13-year history, he said.

More importantly, though, the company saw increased energy savings attributable to its energy efficiency programs for businesses last year, Gordillo said.

Savings achieved by energy conservation programs for businesses rose, according to company data. In 2006, the utility's business programs achieved savings of 11.8 million therms of natural gas. That rose to 26 million therms in 2007 and 27.1 million therms in 2008.

Gordillo credited the increase in part to the utility's on-bill financing program. Businesses can take up to five years to pay back the zero interest loans and institutions, such as local governments or schools, up to 10 years.

Ryan lauded San Diego Gas & Electric and SoCal Gas for their on-bill financing programs. He noted that Southern California Edison has had a pilot version of the financing measure, but that Pacific Gas & Electric has been slow to adopt the strategy.

However, he noted that all of the investor-owned utility programs would soon offer on-bill financing for business and institutional efficiency measures once the California Public Utilities Commission approves their 2009-11 energy efficiency programs. That could come this summer.

Ryan added it is important for businesses to become energy efficient before the state's global warming law, AB 32, takes effect in 2012. That law requires businesses to cut greenhouse gas emissions.

—William J. Kelly

**"Save costs."**

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## Sacto Grid Operator . . . continued from page 7

rest of the state's grid, which is run by CAISO and stretches from San Diego to the Oregon border.

"SMUD is an island within the CAISO," said Gregg Fishman, CAISO spokesperson. The issue is "internal balancing area authority," according to the grid operator. That is how the municipal transmission lines and the state grid operator-run transmission lines can communicate.

The SMUD board action authorizes the muni chief executive officer John DiStasio to negotiate and execute contract amendments, and settle energy transactions with long-term power suppliers that have resources located in the CAISO's balancing authority that are used to meet contractual power delivery commitments.

The grid operator's new wholesale market is supposed to begin April 1. SMUD staff is in negotiations with parties for the necessary contract amendments. This delegation allows DiStasio to execute the amendments as soon as SMUD and the parties have agreed on terms.

The scope of the delegation is limited, however, to

amendments that are needed for preserving the bargained for balance of burdens and benefits under the contracts upon implementation of the new wholesale grid.

Once CAISO starts its wholesale market, it will be involved in transactions between counter parties that terminate in, originate from, or pass through the grid operator.

Sellers who operate generation that they've sold to SMUD under long term contracts for delivery through CAISO's separate transmission system will have to bid their generation into the wholesale market.

The market mechanism means that SMUD has to schedule transactions differently than in the current market. Changes to the contracts are needed to, among other things, account for the payments made to or received from the CAISO so that counter parties only get paid once and so that SMUD only pays once for each transaction.

The vote was 6-0. Director Genevieve Shiroma was absent.

— Mark Edward Nero

## Long-term contracts.

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The job site is updated on a weekly basis each Friday. To have your ad included, it must be received no later than noon on the preceding Wednesday, along with your insertion order.

### Advertising Options

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### Ad Rates

A two-week classified ad on our website [www.californiaenergycircuit.net](http://www.californiaenergycircuit.net) costs:

\$100 (for up to 75 words) / \$175 (for up to 150 words)

A supplementary display ad in *California Energy Circuit* for two weeks costs additionally as follows:

Quarter Page: \$250 / Half Page: \$500 / Full Page: \$750

Questions: Bill Kelly

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## GRID VINE

While the color red may stimulate the brain and love, green does it far better—at least in California. Wheatgrass replaces red wine. White and blue collars are being overtaken by green ones from jobs building more power from the sun, wind, and other non-traditional resources. High voltage lines are being built to carry green power into bedrooms, kitchens, and offices, not the dirty brown kind. More significant is that this green landscape has been significantly brightened by the recent and expected rain of federal greenbacks, causing many to be green with envy.

This surge led Dr. Snarky Sparks to check up on how solid claims are that the green money will sprout new life and jobs. Her stethoscope revealed a less than solid pulse.

One agency head claimed \$186 million dedicated to fixing leaky windows and roofs and reducing the draft in the homes of cash-challenged people could create more than 100,000 jobs, according to the head of the agency handling disbursement of the weatherization money.

Sounds good, until you do the math.

That would amount to jobs paying about \$1,800 a year—not exactly a living wage in this state. And, unless more money flowed from Washington those new positions would last about a year.

When making the new jobs claim, the director of the state Community Services and Development Department did not define “jobs,” an imprecision that may have created the perception of an overly rosy scenario.

Dr. Snarky’s probing also revealed a leaky valve—the assumption that all the jobs expected from the infusion of federal money for energy efficiency and green power projects will be filled those who are unemployed. It could well be done by construction workers now hammering away at nearly finished projects.

There is also the thorny issue of whether the new work at issue will involve union or non-union workers. While Dr. Snarky and officemates Dr. Bill Pill and Dr. Shrinky support labor, that prospect will get us less banging for the bucks.

Then again, filling the backs of pick up trucks with “casual labor” guys hanging out on corners while offering them minimum wage and temporary jobs won’t produce a better outcome.

However, as Dr. Shrinky points out after getting a burst from her shot of wheatgrass juice, all those headlines claiming lots of new jobs are lifting the spirits of the depressed stock market. That may be true, but Dr. Snarky et al. want their patients’ spirits lifted and their green-tinted faces from troubled bellies brightened by well-paying, long-lasting jobs.

Speaking of veracity probes, the state’s credit ratings were cut to the lowest level of any state last month. Tom Dresslar from the treasurer’s office blew it off, telling the *Los Angeles Times* that ratings agencies “lost credibility.”

This last weekend, Dr. Snarky was invited to a party trying to TP the Los Angeles Department of Water & Power’s Greenpath transmission project. The pre-

St. Patty’s Day party theme was Irish, with invitations noting green is for shamrocks not power lines.

Outside our Golden Green State, however, red is still in fashion. Two U.S. Senators in Washington D.C. introduced **The FLAME Act**. The measure by Senator Jeff Bingaman (D-NM) and Lisa Murkowski (R-AK) would reverse the greenback drought for fighting red hot wildfires. The **Federal Land Assistance Management and Enhancement Act** creates an account to fund firefighting to keep living creatures and their habitats from being turned into ash.

Elsewhere it is a not so hot game of musical chairs.

Pacific Gas & Electric elected Greg Pruett as senior vice president of corporate relations for the utility. He now will be doing double duty as v.p. of the parent corp.—the only asset of which is the utility.

Calpine Corp. appointed Robert Mosbacher to its board. President George W. Bush selected Mosbacher as the Overseas Private Investment Corporation head honcho. Under his tenure, OPIC was successfully sued for funding overseas energy projects without evaluating their carbon impacts. From 1986 to 2005, Mosbacher was head of his own independent oil and gas exploration and production firm located in—you guessed it—Houston, Texas.

At NRG Energy, a number of execs did some job swapping—and maybe some spousal switches as well, which was not covered by the increasingly threatened species of journalists.

### Red, white and green collars.

## West Cap & Trade Keeps Dissolving

Climate change legislation aimed at making Washington state a part of the Western Climate Initiative's planned regional carbon cap-and-trade program is on the rocks in the state Legislature. Meanwhile, legislation in Utah and Arizona to pull out of the WCI advanced.

In Washington state, senators passed legislation, SB 5138, March 10 that would create a voluntary greenhouse gas reduction program in the state. They stripped out the mandatory cap backed by Governor Chris Gregoire based on concerns over the impact of a cap-and-trade program on the state's economy, as well as skepticism about whether human activity is the real cause of climate change.

"I call this the Idaho economic development act," said state Senator Jim Honeyford (R-Sunnyside). He questioned why Washington state should enact "cap-and-tax" legislation when it remains unclear whether greenhouse gas emissions are the real cause of climate change.

Washington state Senate Republican floor leader Senator Mark Schloesler (R-Ritzville) called the bill a "radical" measure.

In the Democratic-controlled Washington state Senate, lawmakers voted 30-to-18 to pass the watered-down bill after businesses said a mandatory carbon cap-and-trade law would likely force them to relocate or lay off employees.

"This is a major disincentive for businesses because nobody knows what the cost will be," said Robert Bleu, Shining Ocean seafood company president. The company packages seafood.

Bleu told lawmakers if the bill passed with a mandatory cap as originally introduced he would move the company to Texas.

The measure now is pending before the House Ecology and Parks Committee, which held a hearing on the bill March 17 but took no action.

Gregoire told the panel that Washington must lead on greenhouse gas reduction to make sure it's "at the table" when it comes to "shaping" a likely federal program.

"Climate change is the great challenge of our time," she said.

Meanwhile, the Washington Senate passed a bill late last month by a 27-21 vote to roll back the state's renewable energy standard by up to 75 percent depending on future growth in power demand. The measure, SB 5840, is now pending in the House.

"We're in danger of making Washington the first state in the country to go backward on clean energy," said Joan Crooks, Washington Environmental Coalition executive director.

In Utah, the Legislature March 2 sent a resolution, HR 3, to Governor Jon

Huntsman asking him to pull the state out of the WCI. The resolution said that a carbon cap-and-trade program would raise the cost of doing business in Utah and force companies to move out of state or even out of the nation.

Meanwhile, the Arizona House of Representatives passed HB 2467, which would require the state to pull out of the WCI.

Five state governors, including Arnold Schwarzenegger, formed the WCI in February 2007. Its members plan to reduce greenhouse gas emissions through a cap-and-trade market. Today, the organization includes seven U.S. states and four Canadian provinces.

\* \* \* \*

In the nation's capitol, 33 Senators wrote to the chair of the Senate Budget Committee, Senator Kent Conrad (D-ND), to voice their opposition to using the federal budget process to enact carbon cap-and-trade legislation. Twenty-five Republicans, led by Senate Mike Johanns (R-NE), and eight Democrats, led by Senator Robert Byrd (D-WV), signed the letter, which was announced March 12.

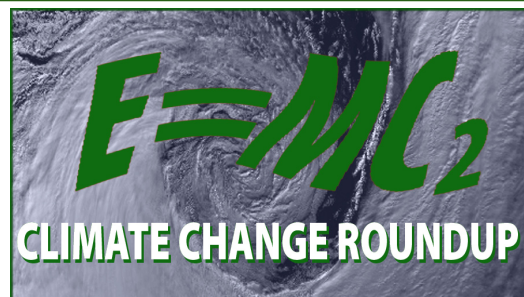
The lawmakers wrote in reaction to a carbon cap-and-trade program President Obama outlined in his 2010 budget proposal to Congress last month (*Circuit*, Feb. 27, 2009). It calls for auctioning carbon emissions rights and using the projected \$15 billion a year in proceeds to fund clean energy projects.

"Proposals to implement a nationwide cap-and-trade program must be debated in an open and transparent way, not developed behind closed doors and rushed into law through the budget reconciliation process," said Johanns.

Under Senate rules, the budget resolution can be passed without 60 senators voting to end debate. This means that a simple majority of Democrats could enact cap-and-trade through the budget process.

However, under the current party alignment in the Senate, the normal legislative process would allow Republicans to filibuster any cap-and-trade bill as long as their leaders could control the party ranks. With only 56 members of the Senate, Democrats could not muster the

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## West Cap & Trade . . . continued from page 11

60 votes needed to force a vote. Republicans hold 41 seats and independents two. One election remains undecided.

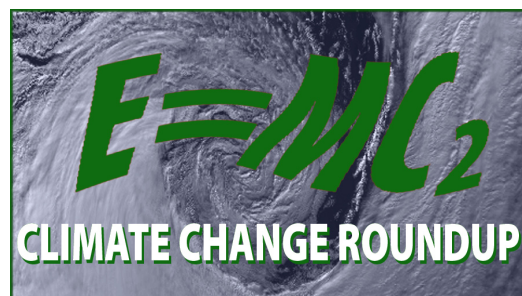
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Insurance companies must begin disclosing financial risk due to climate change under requirements the National Association of Insurance Commissioners adopted March 17 while meeting in San Diego.

“Climate change will have huge impacts on the insurance industry and we need better information on how insurers are responding to the challenge,” said Pennsylvania insurance commissioner Joel Ario, who chairs the association’s climate change and global warming task force. “We are concerned about how climate change will impact the financial health of the insurance sector and the availability and affordability of insurance.”

Reporting of risk to state insurance commissions is to begin May 1, 2010. Insurance companies are supposed to report on how they have altered their risk management and catastrophe modeling programs to account for climate change.

—William J. Kelly



## Renewables Convergence Leads to Transmission Cooperation

Federal regulators decided to cooperate on transmission siting in order to get new renewable energy supplies online.

In a March 17 U.S. Senate Energy & Natural Resources Committee hearing, Department of Interior secretary Ken Salazar announced an “understanding” between the Federal Energy Regulatory Commission and Interior. Under the pact, the two agencies said they would cooperate on siting transmission lines throughout the U.S. for tapping renewable energy, as well as new domestic fossil-fueled electricity generating facilities.

“Renewable energy is too important for turf battles to slow down our progress,” stated Jon Wellinghoff, FERC acting chair. Salazar said he expected that Interior would have a “robust role” in siting transmission lines. He added that Interior is trying to create a zoning process for renewable energy transmission. That, he said, should include about 6,000 miles of new transmission lines.

“We have a lot of work to do in a hurry,” said Salazar.

In another development, FERC and Interior agreed to cooperate rather than struggle over jurisdiction when it comes to siting offshore renewable energy projects, including wind and tidal power facilities.

The federal government is trying to promote domestic energy use and lower dependence on foreign fuels. That includes a five-year plan for leasing oil and gas drilling on the outer continental shelf. While Salazar showed a map of potential drilling sites that included the entire California coast, he said that the department is concentrating on the Gulf of Mexico.

“It’s a delusional concept of energy independence,” countered journalist Robert Bryce. He said nuclear power development also has to be on the table.

“The world needs oil and we have to be serious about nuclear expansion,” Bryce added.

Senator John McCain also promoted nuclear as a base energy resource. “I see no way of achieving energy independence if nuclear energy [isn’t added] otherwise it’s a dead stop.”

—J.A. Savage



### “Turf battles.”



## Zones Supersized

California has promising concentrating solar power and wind prospects, notes the Western Governors' Association and the U.S. Department of Energy. The two entities are working together to identify areas ripe for clean electricity generation in the Western U.S. and parts of Canada and Mexico.

Western governors are set to designate "Qualified Resource Areas" for renewable energy generation at their June meeting. But, individual states would maintain their authority over the construction of renewable energy facilities and transmission lines.

Solar and wind are expected to be key sources of power generation in the West for the near term.

The heads of state also recommend wind energy developments in New Mexico, Colorado, Wyoming, Montana, the Dakotas, Kansas, Nebraska, Washington, Oregon, British Columbia, and Alberta.

Hydroelectric power in the Northwestern states could become 30 to 40 percent more efficient, according to the governors. Geothermal, which is a better baseload power source than wind and solar, could provide 10,000 MW to 15,000 MW by 2015. Biomass has the potential to contribute 12,000 MW, according to the governors' Clean

and Diversified Energy Advisory Committee.

"[Western governors] are responsible for convening relevant stakeholders to meet the project objective, which is to identify the richest and most developable renewable resource areas and the transmission necessary to move those resources to load centers," said Rich Halvey, the association's energy program director.

The seed for the Western Renewable Energy Zones was planted when Governor Schwarzenegger and New Mexico

Governor Bill Richardson called on other

Western state executives at the 2004 North American Energy Summit to make two major commitments: 30,000 MW of clean energy by 2015 and a 20 percent increase in energy efficiency by 2020.

Soon afterward, the governors' association formed its Clean and Diversified Energy Advisory Committee, which made recommendations on how to achieve the lofty goals. The Western Renewable Energy Zones project came out of these recommendations.

The next phases of the project—"environment and lands" and "generation and transmission"—are likely to be more controversial.

—David Kates

### Generation & transmission.



**The Solar Initiative Program through the California Public Utilities Commission is falling short** of applications, according to the *San Jose Mercury News*. New applications for rooftop solar are halved this year. The solar initiative, otherwise known as Million Solar Roofs, is supposed to add 3,000 MW of distributed photovoltaic energy to the state.

**Federal regulators are starting work on "smart grid" standards.** In a March 19 hearing, the Federal Energy Regulatory Commission opened a docket to determine how to smooth communications between util-

ities, grid operators, and consumers. At the same time the federal regulator is attempting to coordinate renewable energy on the wholesale market.

**Ethanol firms caught in the economic quicksand attracted a major oil refiner.** Valero Energy announced it was buying seven ethanol plants from the struggling VeraSun. Valero outbid Archer Daniels Midland. Its take over of the biofuels company is expected to revive the ailing industry, according to the *New York Times*.

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